

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BRACKEN COUNTY WATER)	
DISTRICT FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY TO)	CASE NO. 2011-00519
CONSTRUCT AND FINANCE A WATERWORKS)	
IMPROVEMENTS PROJECT PURSUANT TO)	
KRS 278.020 AND 278.300)	

ORDER

Bracken County Water District ("Bracken District") has applied for a Certificate of Public Convenience and Necessity to construct a waterworks improvements project and authorization to enter into an Assistance Agreement with the Kentucky Infrastructure Authority ("KIA") to borrow a total of \$1,096,000 to finance the project.¹

Having considered the application and being otherwise sufficiently advised, the Commission finds that:

1. Bracken District, a water district created pursuant to KRS Chapter 74, owns and operates facilities used to distribute water to approximately 2,486 customers in Bracken, Mason, Pendleton, and Robertson Counties, Kentucky.²

2. Bracken District proposes to replace 11,000 linear feet of 12-inch polyvinylchloride ("PVC") water main with 11,000 linear feet of 12-inch ductile iron water

¹ Bracken District tendered its Application on December 28, 2011. The Commission did not accept the application as filed at the time of its filing because of its failure to comply with 807 KAR 5:001, Section 11(2)(a). On February 7, 2012, Commission Staff issued a request for information to Bracken District. Bracken District submitted to the Commission its responses to this request on February 24, 2012. No persons have sought to intervene in this proceeding.

² *Annual Report of Bracken County Water District to the Kentucky Public Service Commission for the Calendar Year Ending December 31, 2010* at 5 and 27.

main and to install approximately 26,700 linear feet of 4-inch PVC water main, 1,900 linear feet of 4-inch ductile iron water main, 600 linear feet of 3-inch PVC water main, and 550 linear feet of 2-inch PVC water main, and to construct several related appurtenances. The proposed project includes the replacement of approximately 5,500 linear feet of 4-inch asbestos cement water main with 4-inch PVC water main.

3. The proposed project will extend water service to 17 potential customers who do not currently have a potable supply of water.

4. The existing 12-inch PVC water main is approximately 29 years old and has experienced several breaks. It currently supplies water to the entire Bracken District water system. Significant service disruptions are likely to be experienced from a major main rupture. Replacement of the existing main with 12-inch ductile iron main is expected to increase system reliability and reduce the likelihood of a significant main rupture.

5. The asbestos water mains that are scheduled for replacement have been subject to a significant number of main breaks and are no longer considered reliable.

6. The estimated total cost of the proposed project, including construction costs, contingencies, engineering and inspection fees, is \$1,096,000.³

³ Project costs are as follows:

Administrative Fees	\$ 24,750
Legal Expenses	8,000
Engineering Fees	115,200
Construction	739,250
Planning	7,500
Contingency	<u>201,300</u>
Total	<u>\$1,096,000</u>

7. HMB Professional Engineers, Inc. of Frankfort, Kentucky prepared the plans and specifications for the proposed project.

8. The Division of Water of the Kentucky Energy and Environment Cabinet has approved the plans and specifications for the proposed project.

9. The proposed project will not compete with the service of any existing water supplier and will not conflict with the existing certificate of service of other public utilities operating in the same area or in the general area in which Bracken District renders service.

10. The proposed project will not result in the wasteful duplication of utility facilities or excessive investment.

11. The public convenience and necessity require the construction of the proposed project.

12. Bracken District proposes to enter into two Assistance Agreements with KIA to borrow \$475,000 and \$621,000 respectively and to repay these amounts over a 20-year term at an interest rate of 3.0 percent per annum.

13. Under the terms of the Assistance Agreement with KIA for the loan of \$475,000, approximately 80 percent of the principal amount, or \$380,000, will be forgiven. Bracken District will incur total loan indebtedness from this loan of \$95,000.

14. The proposed loans will not result in an increase in Bracken District's existing rates for water service.

15. The proposed Assistance Agreements with KIA are for lawful objects within Bracken District's corporate purpose, are necessary, appropriate for and consistent with the proper performance of Bracken District's service to the public, will

not impair Bracken District's ability to perform that service, and are reasonably necessary and appropriate for such purpose.

16. As Bracken District receives any principal forgiveness, the total amount of which is 80 percent of the principal amount, or \$380,000, it should debit the appropriate Long Term-Debt Account for the amount of the principal forgiveness and make a corresponding credit entry to Account 271 - Contributions in Aid of Construction.

17. Bracken District has requested a deviation from 807 KAR 5:001, Section 11(2)(a), which requires the filing of a financial exhibit covering "operations for a twelve (12) month period . . . ending not more than ninety (90) days prior to the date the application is filed."⁴ It has provided its financial statements for calendar year 2010 and represents that there has been no change that is material in nature in its financial condition or operation since the publication of these statements.

18. Bracken District has demonstrated good cause to permit its deviation from 807 KAR 5:001, Section 11(2)(a).

IT IS THEREFORE ORDERED that:

1. Bracken District's request for deviation from 807 KAR 5:001, Section 11(2)(a), is granted.

2. Bracken District's application is considered filed as of the date of this Order.

⁴ 807 KAR 5:001, Section 6. 807 KAR 5:001, Section 11(2)(a), refers to Section 6. While Bracken District requests a deviation from 807 KAR 5:001, Section 6, its requested relief requires a deviation from 807 KAR 5:001, Section 11(2)(a). The Commission will consider Bracken District's request as a motion to deviate from 807 KAR 5:001, Section 11(2)(a).

3. Bracken District is granted a Certificate of Public Convenience and Necessity to proceed with the proposed waterworks improvements project as set forth in the plans and specifications filed with the Commission in this case.

4. Bracken District shall notify the Commission prior to performing any additional construction not expressly authorized by this Order.

5. Any deviation from the construction approved shall be undertaken only with the approval of the Commission.

6. Bracken District shall furnish documentation of the total costs of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Construction costs shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

7. Bracken District shall file with the Commission a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

8. Bracken District shall require the construction to be inspected under the general supervision of a licensed professional engineer with a Kentucky registration in civil, electrical, or mechanical engineering, to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

9. Bracken District is authorized to enter the proposed Assistance Agreement with KIA to borrow an amount not to exceed \$475,000, 80 percent of the principal to be forgiven over the life of the loan and the remaining portion to be repaid over a 20-year period at an interest rate of 3.0 percent per annum.

10. Bracken District is authorized to enter the proposed Assistance Agreement with KIA to borrow an amount not to exceed \$621,000 that shall be repaid over a 20-year period at an interest rate of 3.0 percent per annum.

11. As Bracken District receives any principal forgiveness, the total amount of which is 80 percent of the principal amount, or \$380,000, it shall debit the appropriate Long Term-Debt Account for the amount of the principal forgiveness and make a corresponding credit entry to Account 271 - Contributions in Aid of Construction.

12. Within 30 days of executing its proposed Assistance Agreements with KIA, Bracken District shall advise the Commission in writing of execution of those agreements and of any terms in that loan agreement that differ from those described in Bracken District's Application.

13. Bracken District shall use the proceeds from the proposed Assistance Agreements with KIA only for the lawful purposes set forth in its Application.

14. Any documents filed pursuant to ordering paragraphs 4, 6, 7, and 12 shall reference this case number and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be deemed a warranty or guarantee of the Commonwealth of Kentucky, or any agency thereof, of the evidences of indebtedness authorized herein.

By the Commission

ENTERED *QA*
FEB 29 2012
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KENTUCKY 40202